

ORDER NO. 4632

UNITED STATES OF AMERICA
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Before Commissioners:

Robert G. Taub, Chairman;
Tony Hammond, Vice Chairman;
Mark Acton; and
Nanci E. Langley

Competitive Product Prices
First-Class Package Service Contract 44 (MC2016-82)
Negotiated Service Agreements

Docket No. CP2016-107

ORDER APPROVING AMENDMENT ONE TO
FIRST-CLASS PACKAGE SERVICE NEGOTIATED SERVICE AGREEMENT

(Issued June 5, 2018)

I. INTRODUCTION

The Postal Service seeks to amend a First-Class Package Service negotiated service agreement.¹ For the reasons discussed below, the Commission approves the Amendment.

¹ USPS Notice of Amendment to First-Class Package Service Contract 44, Filed Under Seal, May 24, 2018 (Notice). The amendment is an attachment to the Notice (Amendment).

In Order No. 3120, the Commission approved the First-Class Package Service Contract 44 negotiated service agreement (Existing Agreement).² On May 24, 2018, the Postal Service filed notice that it has agreed to the Amendment to the Existing Agreement. On May 25, 2018, the Commission issued a notice reopening this docket to consider the Amendment, appointing a Public Representative, and providing interested persons with an opportunity to comment.³ Also on May 25, 2018, the Commission issued Chairman's Information Request No. 1, requesting that the Postal Service file a certified statement and financial workpapers, as required by 39 C.F.R. 3015.5(c).⁴ On May 31, 2018, the Postal Service filed its response to CHIR No. 1, including the requested documents.⁵

The Postal Service intends for the Amendment to become effective two business days after the date that the Commission completes its review of the Notice. Notice at 1. The Postal Service filed supporting financial documentation and a certified statement, as required by 39 C.F.R. § 3015.5. Response to CHIR No. 1 at 2.

II. COMMENTS

Comments were filed by the Public Representative.⁶ No other person submitted comments. The Public Representative reviewed the Amendment, the Existing Agreement, and the financial model filed under seal. PR Comments at 2. Based on that review, he concludes that the Existing Agreement, as amended, should continue to generate sufficient revenue to cover costs and satisfy 39 U.S.C. § 3633(a). *Id.*

² See Docket Nos. MC2016-82 and CP2016-107, Order Adding First-Class Package Service Contract 44 to the Competitive Product List, March 1, 2016 (Order No. 3120).

³ Notice Initiating Docket(s) for Recent Postal Service Negotiated Service Agreement Filings, May 25, 2018.

⁴ Chairman's Information Request No. 1, May 25, 2018, at 1 (CHIR No. 1).

⁵ USPS Response to Chairman's Information Request No. 1, with Materials Filed Under Seal, May 31, 2018 (Response to CHIR No. 1).

⁶ Public Representative Comments on Postal Service Notice of Amendment to First-Class Package Service Contract 44, June 4, 2018 (PR Comments).

III. COMMISSION ANALYSIS

The Commission has reviewed the Notice, the accompanying materials filed under seal, the Response to CHIR No. 1, and the comments filed by the Public Representative.

Cost considerations. The Commission reviews competitive product prices to ensure that each product covers its attributable costs, does not cause market dominant products to subsidize competitive products, and contributes to the Postal Service's institutional costs. 39 U.S.C. § 3633(a); 39 C.F.R. §§ 3015.5 and 3015.7. As long as the revenue generated by the product exceeds its attributable costs, the product is unlikely to reduce the contribution of competitive products as a whole or to adversely affect the ability of competitive products as a whole to contribute an appropriate share of institutional costs. In other words, if a product covers its attributable costs, it is likely to comply with 39 U.S.C. § 3633(a).

The Amendment revises the customer's volume commitment and revises the negotiated rates for First-Class Package Service. Notice, Attachment A at 1-2; see *a/so* Notice at 1 (stating prices have changed).

Based on a review of the record, the Commission finds that the Existing Agreement, as amended, should cover its attributable costs. 39 U.S.C. § 3633(a)(2). For this reason, it finds that the Existing Agreement, as amended, should not result in competitive products as a whole being subsidized by market dominant products, in accordance with 39 U.S.C. § 3633(a)(1). Similarly, it finds the Existing Agreement, as amended, is unlikely to prevent competitive products as a whole from contributing an appropriate share of institutional costs, consistent with 39 U.S.C. § 3633(a)(3). See *a/so* 39 C.F.R. § 3015.7(c). Accordingly, a preliminary review of the Amendment indicates it is consistent with section 3633(a).

Other considerations. The Postal Service states that the Amendment shall become effective two business days after the date that the Commission completes its review. Notice at 1.

If the Existing Agreement, as amended, is terminated prior to the scheduled expiration date, the Postal Service shall promptly notify the Commission.

In conclusion, the Commission approves the Existing Agreement, as amended.

IV. ORDERING PARAGRAPHS

It is ordered:

1. The Commission approves the First-Class Package Service Contract 44 negotiated service agreement, as amended.
2. The Postal Service shall notify the Commission if the Existing Agreement, as amended, terminates prior to the scheduled expiration date.

By the Commission.

Stacy L. Ruble
Secretary